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Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 26, 2006

Mr. Charles B. Bramlett, Chair
Georgia Real Estate Appraisers Board
International Tower, Suite 1000
229 Peachtree Street, NE
Atlanta, GA 30303-1605

Dear Mr. Bramlett:

Thank you for the Georgia Real Estate Appraisers Board's ("Board") and staff's cooperation and assistance during the July 18-19, 2006 Appraisal Subcommittee ("ASC") review of Georgia's appraiser regulatory program ("Program"). We also appreciated the cooperation and assistance of Applied Measurement Professionals, Inc. ("AMP"), which, on the Board's behalf, reviews applications for licensure and certification, administers appraiser credentialing examinations, and issues and renews appraiser credentials. Based on our review, Georgia needs to address five concerns to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). Due to the number and nature of our concerns, we plan to perform a follow-up review of the Program in six to nine months.

- **Georgia issued certified appraiser credentials without ensuring that the applicants' experience was obtained over at least a 24-month or 30-month period as required by Appraiser Qualifications Board ("AQB") criteria.**

Georgia requires applicants to submit experience logs to document qualifying experience. When we reviewed the State's application files, we found that, while all applicants documented the necessary hours of experience, their work logs revealed that not all applicants earned their qualifying experience in at least 24 or 30 months, as required by AQB certification criteria (24 months for certified residential and 30 months for certified general).

Our review revealed that the Board failed to instruct AMP representatives regarding the 24/30 month time frames. When we brought this concern to Commissioner Clark's attention, he immediately began taking steps to remedy this situation. While we understand that Commissioner Clark has begun and/or completed some of the following actions, we are listing all necessary actions for completeness. To resolve this concern, the Board needs to:

1. Immediately stop issuing certified credentials to persons who cannot support that they conform to AQB criteria;
2. Continue to implement revisions to the application process to ensure that applicants for certified appraiser credentials meet AQB criteria;
3. Within 15 days of receiving our letter, identify all certified appraisers whose applications were processed by AMP prior to providing clarifying guidance to AMP;

4. Within 30 days of receiving our letter, for appraisers identified in Step 3, determine whether each appraiser's application file contains documentation supporting that the appraiser met the AQB criterion regarding qualifying experience spanning at least 24 or 30 months, as applicable;
 5. For appraisers who did not have the necessary experience at the time the certified credential was issued, but who now have obtained the requisite appraisal experience, reissue the certified credentials with corrected effective dates;
 6. For appraisers who cannot support their certified credential, or who fail to submit supporting documentation, immediately begin the necessary actions to downgrade the appraisers to a non-certified classification; and
 7. Within 60 days of receiving our letter, provide a status report regarding this issue to the ASC.
- **Georgia renewed certified appraiser credentials without ensuring that the applicants had taken the 7-hour National USPAP Update Course, as required by AQB criteria.**

Effective January 1, 2003, AQB criteria requires all certified appraisers to take the 7-hour National USPAP Update Course, or its equivalent, at least every two years as part of their continuing education. To facilitate the transition to this revised continuing education requirement, in calendar years 2003 and 2004, the AQB permitted appraisers to take either the 15-hour National USPAP Course or the 7-hour National USPAP Update Course (or their equivalents) to meet this requirement. However, the Board continued to accept both courses for continuing education credit after December 31, 2004.

To resolve this concern, the Board needs to:

1. Immediately stop accepting the 15-hour National USPAP Course in lieu of the 7-hour National USPAP Update Course for certified appraiser continuing education fulfillment;
2. Within 15 days of receiving this letter:
 - a. identify all certified appraisers whose credentials were renewed on or after January 1, 2005;
 - b. determine for each appraiser identified in Step 2.a. whether the appraiser took the 15-hour National USPAP Course or the 7-hour National USPAP Update Course; and
 - c. determine the date on which each appraiser identified in Step 2.a. took the National USPAP Course;
3. For certified appraisers whose credentials were renewed on or after January 1, 2005, and who relied on a 15-hour National USPAP Course taken on or after January 1, 2005 for continuing education, immediately notify these appraisers that they must

successfully complete the 7-hour National USPAP Update Course, or its equivalent, within 30 days;

4. For any appraiser notified pursuant to Step 3 that fails to document successful completion of the 7-hour National USPAP Update Course, or its equivalent, within the 30-day period, downgrade the appraiser to a non-certified credential or recall the appraiser's certified credential and reissue that credential with the phrase, "Not Eligible to Appraise Federally Related Transactions" conspicuously over stamped on its face; and
 5. Within 60 days of receiving our letter, provide a status report regarding this issue to the ASC.
- **Georgia's regulatory requirements for reinstating lapsed appraiser credentials are inconsistent with AQB criteria.**

In September 2005, the AQB issued an Interpretation stating that, prior to reactivation, credential holders in "inactive" status must complete all continuing education hours that would have been required if the credential had been "active," including the most recent edition of the 7-hour National USPAP Update Course, or its equivalent.

Georgia's regulations at § 539-1-.08 provide for reinstatement of lapsed credentials in a manner inconsistent with this Interpretation. Paragraph (2) of the regulations specifies that, for an appraiser to reinstate a credential lapsed due to nonpayment of fees or failure to complete continuing education within two years of the lapsed date, the appraiser must pay the requisite fee and "successfully complete any required continuing education which would have been due while that appraiser classification was lapsed." This paragraph conforms to the AQB Interpretation.

Paragraph (3), however, does not conform. That paragraph requires all persons with credentials lapsed for more than two years but less than ten years to pay the required fees and complete "90 classroom hours of approved board education."

Under the AQB Interpretation, an appraiser might need more than 90 hours of continuing education to comply with AQB criteria. In addition, paragraph (3) of the regulation does not require an appraiser reinstating a lapsed credential to take the 7-hour National USPAP Update Course, or its equivalent, as required by AQB criteria.

To resolve this concern, the Board needs to revise § 539-1-.08 of its regulations to ensure it conforms to AQB criteria regarding reactivations of certifications.

- **Complaint Investigation and Resolution**

The timeliness of Georgia's complaint investigation and resolution program worsened since our previous field review. The chart on the next page provides summary statistics.

Field Review Period	Complaints received during review cycle	Complaints outstanding	Complaints outstanding more than 1 year
March 2000 – July 2003	1,195* (~358/year)	131*	16* (10%)
June 2003 – June 2006	1,518 (~506/year)	284	70 (25%)

* The previous field review report did not include complaint statistics. We developed this data based on information provided in preparing for the current field review.

ASC Policy Statement 10 requires States to investigate and resolve complaints in a timely manner, with the goal of resolving each complaint within one year of its filing date. The number of complaints outstanding and the number and percentage of complaints outstanding for more than one year increased significantly since our previous field review.

During our review, Commissioner Clark acknowledged the situation and informed ASC staff that the Board had already taken steps to address the processing delays. Effective July 1, 2006, the Board's budget authorized the addition of an investigator to work exclusively on appraiser-related cases. Mr. Clark anticipated hiring the individual by early 2007. Board staff also explained that other administrative and procedural changes were being introduced to better focus staff resources based on areas of expertise.

To resolve our concerns, the Board needs to:

1. Investigate and resolve complaints in a timely manner, with special attention to reducing the backlog of cases outstanding more than one year; and
 2. Forward quarterly complaint logs to ASC staff to allow us to monitor the Board's progress towards addressing this situation.
- **Georgia failed to retain adequate documentation to support appraiser credentials and approved education courses.**

ASC staff reviewed 70 original certification application files and found that 20 (29%) did not contain the application and supporting information, *e.g.*, experience logs and education course listings, for the most current credential. These 20 files contained only the application and renewal information for lower level credentials previously held by the now-certified residential or certified general appraisers.

Of the 19 education files reviewed, 13 (68%) had only a one-page application submitted by the course providers. Course descriptions and other necessary supporting documentation were not included. While the documentation regarding the courses and their approval was lacking, our review of Board minutes indicated that the Board reviewed the necessary course information to determine whether a course should be approved or rejected.

The absence of supporting documentation in the education and application files creates two significant concerns. First, the failure to retain supporting documentation made it impossible for ASC staff to determine whether the State's credentialing and course approval

processes complied with Title XI. Second, the failure to retain supporting documentation could place the Board in a difficult position should it have to defend its actions in court.

To resolve this concern, the Board needs to create and follow records retention requirements to preserve all appropriate information needed by the ASC to determine Title XI compliance in the Board's course approval and credentialing activities, with those documents being maintained until the ASC conducts its next on-site field review. At a minimum, each appraiser application file must include the complete original application and documentation of experience, education, and examination results. At a minimum, education files must include: the course application; a detailed course syllabus; a determination of whether the course meets AQB criteria; delivery method approval, if required by AQB criteria; and any correspondence regarding the course.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time period or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Charles Clark, Commissioner